

# **EDUCATION FUND**



## **FY14 PROPOSED BUDGET**

## **EDUCATION FUND**

## **Overview**

The **EDUCATION FUND** accounts for taxes collected and allocated for school operations. The County reports the Education Fund as a major fund.

Education is clearly the number one priority for the County and its most significant expenditure challenge. Including debt service for the schools, Education receives almost 60% of all property taxes and represents over 30% of total countywide expenditures. In addition to property taxes, up to 100% of the wheel tax can be designated for school operating costs and the remainder for repayment of the County's bonded indebtedness for schools. The County is required to provide funding to schools at least equal to the amount provided in the prior year.

### **Budget Process**

The Shelby County Government FY14 Proposed Budget includes a tentative total funding amount of \$361,288,000 for the consolidated Shelby County School (SCS) system, based on prior year funding levels. The details of the merged SCS budget have not yet been received and are not presented in this document. After the SCS budget has been approved by the School Board, it will be submitted to the Shelby County Commission for funding approval by a separate resolution. The Shelby County Commission has taxing authority for education funding and responsibility for approving the total amount of funds provided for this purpose. The School Board determines how the funds will be used to best accomplish their mission of educating students.

### **School Consolidation Background and Budget Impact**

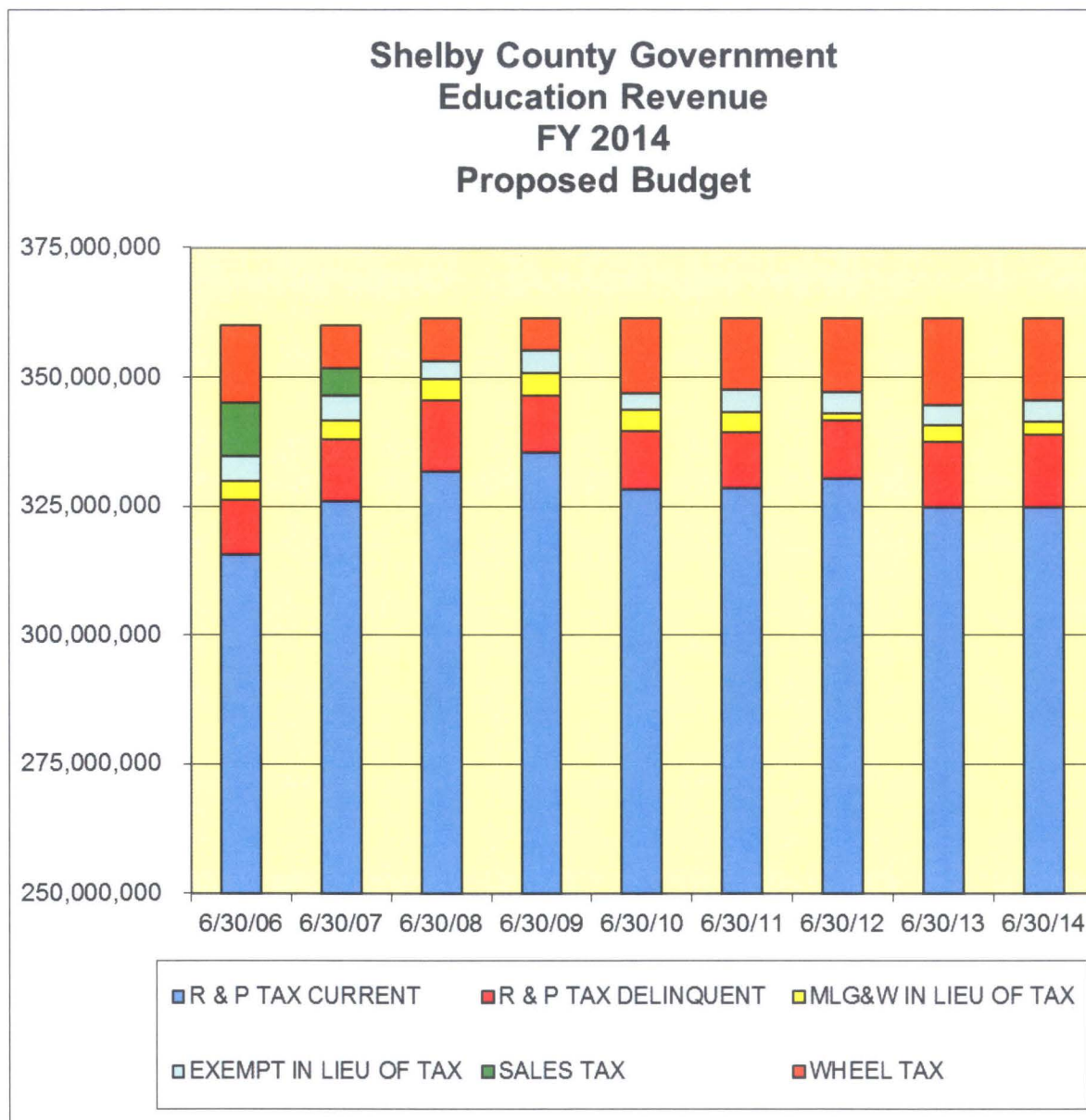
As a result of the Memphis City School Board's decision to surrender its charter in 2011, the Memphis City School (MCS) system will merge with the Shelby County School (SCS) system effective July 1, 2013. The Transition Planning Commission (TPC) was created by state law in October of 2011 to develop a comprehensive transition plan to guide the consolidation into one unified school system for all students. The TPC plan for consolidation was based on community input and extensive research of local and national practices, and was completed in June 2012.

Beginning in Fiscal Year 2014, education funding will no longer be allocated to MCS and SCS based on the Average Daily Attendance ratio; there will be one consolidated budget for the unified school system. The FY14 Proposed Budget shows funding at the same level as prior year, since the budget request of the consolidated school district has not yet been received. Funding for Capital Improvement Projects has been restored to the level determined by the Debt Reduction Plan of \$55 million. This CIP allocation was deferred for the past two years, pending resolution of the impact of the consolidation of the two school systems and an evaluation of current capital needs.

### **Revenue Sources**

The school system receives the following types of revenue from Shelby County:

- 1) Current Property Tax
- 2) Delinquent Property Tax
- 3) MLG&W In Lieu of Property Tax
- 4) Exempt Property In Lieu of Taxes
- 5) Wheel Tax



#### **Average Daily Attendance (ADA) Allocations**

Prior to the merger, the total amount budgeted for education by Shelby County was distributed between the City and County school systems based upon the weighted full-time equivalency (WFTE) Average Daily Attendance (ADA) ratio. This ratio was reviewed annually each spring and certified by the Tennessee State Department of Education. The Shelby County budgeted allocation to each school system was based on the rate in effect at the time of proposed budget development – usually before the rate is updated for the current year. Actual payments were prorated to July 1 of the current year when the revised rate was determined to equalize appropriations between the schools.

Historical ADA data is provided in the following table:

**Average Daily Attendance Ratios**

<b><u>Fiscal Year</u></b>	<b><u>Tax Year</u></b>	<b><u>City Schools</u></b>	<b><u>County Schools</u></b>	<b><u>Total</u></b>
2014	2013	0.00%	100.00%	100.00%
2013	2012	68.00%	32.00%	100.00%
2012	2011	69.24%	30.76%	100.00%
2011	2010	69.06%	30.94%	100.00%
2010	2009	68.67%	31.33%	100.00%
2009	2008	69.22%	30.78%	100.00%
2008	2007	69.57%	30.43%	100.00%
2007	2006	70.82%	29.18%	100.00%
2006	2005	71.51%	28.49%	100.00%
2005	2004	72.10%	27.90%	100.00%
2004	2003	70.69%	29.31%	100.00%
2003	2002	71.35%	28.65%	100.00%
2002	2001	71.94%	28.06%	100.00%
2001	2000	71.82%	28.18%	100.00%
2000	1999	72.14%	27.86%	100.00%
1999	1998	69.04%	30.96%	100.00%
1998	1997	69.40%	30.60%	100.00%
1997	1996	69.70%	30.30%	100.00%
1996	1995	70.20%	29.80%	100.00%
1995	1994	70.80%	29.20%	100.00%
1994	1993	71.50%	28.50%	100.00%
1993	1992	71.80%	28.20%	100.00%

## Account Detail

## Special Revenue Fund

### Education

Acct	Description	FY 10 Actual	FY 11 Actual	FY 12 Actual	FY 13 Amended Budget	FY 14 Proposed Budget
4001 - Property Taxes-Current		(347,511,060)	(329,918,377)	(329,658,576)	(324,700,000)	(324,700,000)
4002 - Property Taxes-Delinquent		(13,657,992)	(14,444,221)	(11,626,977)	(12,828,000)	(14,064,000)
4016 - Uptown Redevelopment Incremental Taxes		(71,602)	(71,430)	(74,408)	0	0
40 - Property Taxes		(361,240,654)	(344,434,028)	(341,359,961)	(337,528,000)	(338,764,000)
4105 - MLG&W In Lieu Of Taxes		(3,358,970)	(1,330,491)	0	(3,041,000)	(2,566,000)
4108 - Exempt Property In Lieu Of Taxes		(5,824,005)	(4,176,078)	(3,550,006)	(4,039,000)	(4,086,000)
4160 - Wheel Tax		0	(2,210,543)	(16,378,033)	(16,680,000)	(15,872,000)
41 - Other Local Taxes		(9,182,975)	(7,717,112)	(19,928,039)	(23,760,000)	(22,524,000)
4805 - Interest Income		(1,230)	0	0	0	0
48 - Investment Income		(1,230)	0	0	0	0
<b>Revenue</b>		<b>(370,424,859)</b>	<b>(352,151,140)</b>	<b>(361,288,000)</b>	<b>(361,288,000)</b>	<b>(361,288,000)</b>
8954 - Memphis City Schools		248,096,469	249,463,096	250,135,286	245,676,000	0
8955 - Shelby County Schools		113,191,530	111,824,904	111,152,714	115,612,000	361,288,000
89 - Affiliated Organizations		361,287,999	361,288,000	361,288,000	361,288,000	361,288,000
<b>Affiliated Organizations</b>		<b>361,287,999</b>	<b>361,288,000</b>	<b>361,288,000</b>	<b>361,288,000</b>	<b>361,288,000</b>
<b>Expenditures</b>		<b>361,287,999</b>	<b>361,288,000</b>	<b>361,288,000</b>	<b>361,288,000</b>	<b>361,288,000</b>
<b>Education Total</b>		<b>(9,136,860)</b>	<b>9,136,860</b>	<b>0</b>	<b>0</b>	<b>0</b>

